

FIXING RHODE ISLAND SCHOOL BUILDINGS

Office of General Treasurer Seth Magaziner

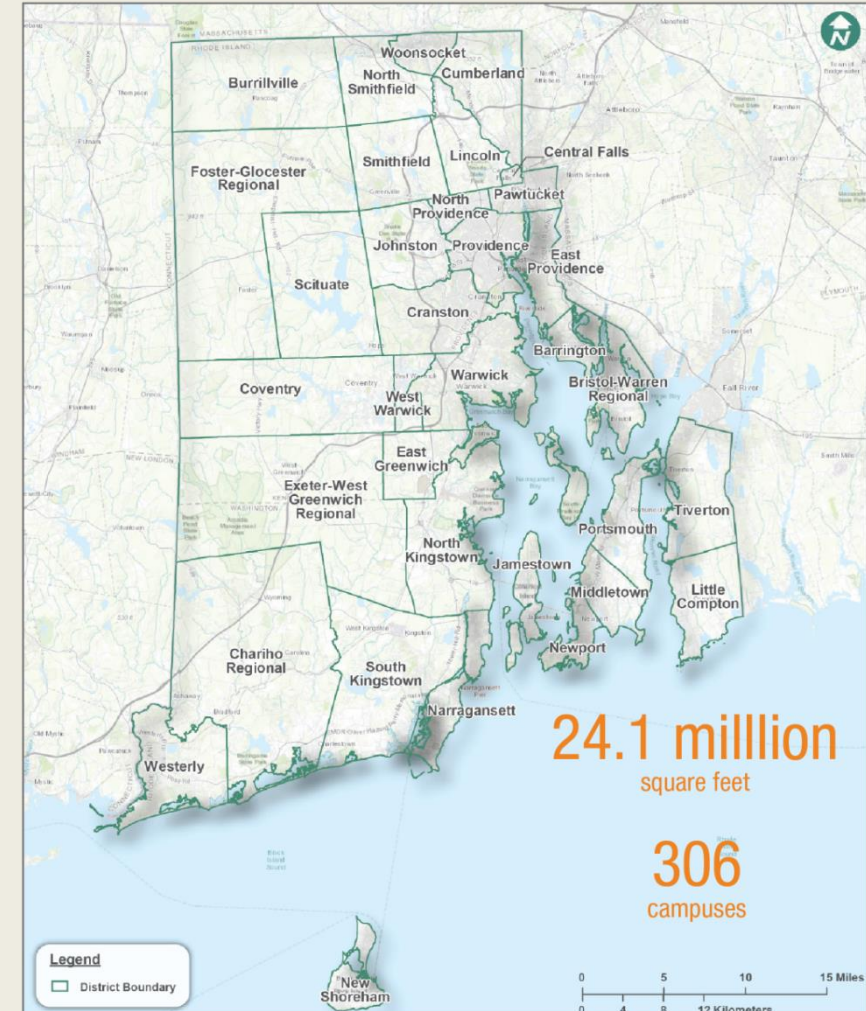


SCHOOLS OUR STUDENTS DESERVE

- All students deserve to go to schools that are warm, safe, dry and equipped for 21st century learning.
- No parent should have to worry that their child's health may be at risk while they are at school.
- All schools must be equipped to teach students the skills necessary to succeed in the modern workforce.

FACILITY CONDITION ASSESSMENT

- RIDE commissioned Jacobs Engineering to produce detailed assessments of all 306 public school buildings statewide from 2016-2017
- The Jacobs study was the first independent statewide assessment of the condition of Rhode Island school facilities
- Rhode Island has 78 schools that are more than 75 years old



PRIORITY PROJECTS

- Deficiencies broken into five priority categories
 - **Priority 1:** Mission critical, such as fire suppression systems
 - **Priority 2:** Indirect impact on educational mission, such as aging roofs and windows
 - **Priority 3:** Facility efficiencies, such as damaged exterior lighting
 - **Priority 4:** Long-term improvements, such as cabinets, finishes, or special program accommodations
 - **Priority 5:** Aesthetic projects, such as repainting or recarpeting

Priority 1

Mission critical Conditions that may affect a school's ability to deliver services, such as building safety or code compliance

Priority 2

Items that may progress to priority 1, and could have an indirect impact on the educational mission, such as aging roofs and windows

Priority 3

Deficiencies that are not urgent, but would maximize facility efficiency, such as cracked paving or damaged exterior lighting

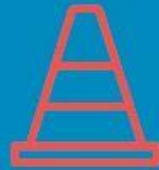
Priority 4

Long-term improvements that may be aesthetic or provide greater functionality, such as cabinets, finishes, or special program accommodations

Priority 5

Deficiencies aesthetic in nature or considered enhancements, such as repainting, recarpeting, or improved signage

Total Facility Deficiency Cost



= \$2.2 billion

Costs to bring current systems to ideal operational condition

1 = \$54.5M

2 = \$572.9M

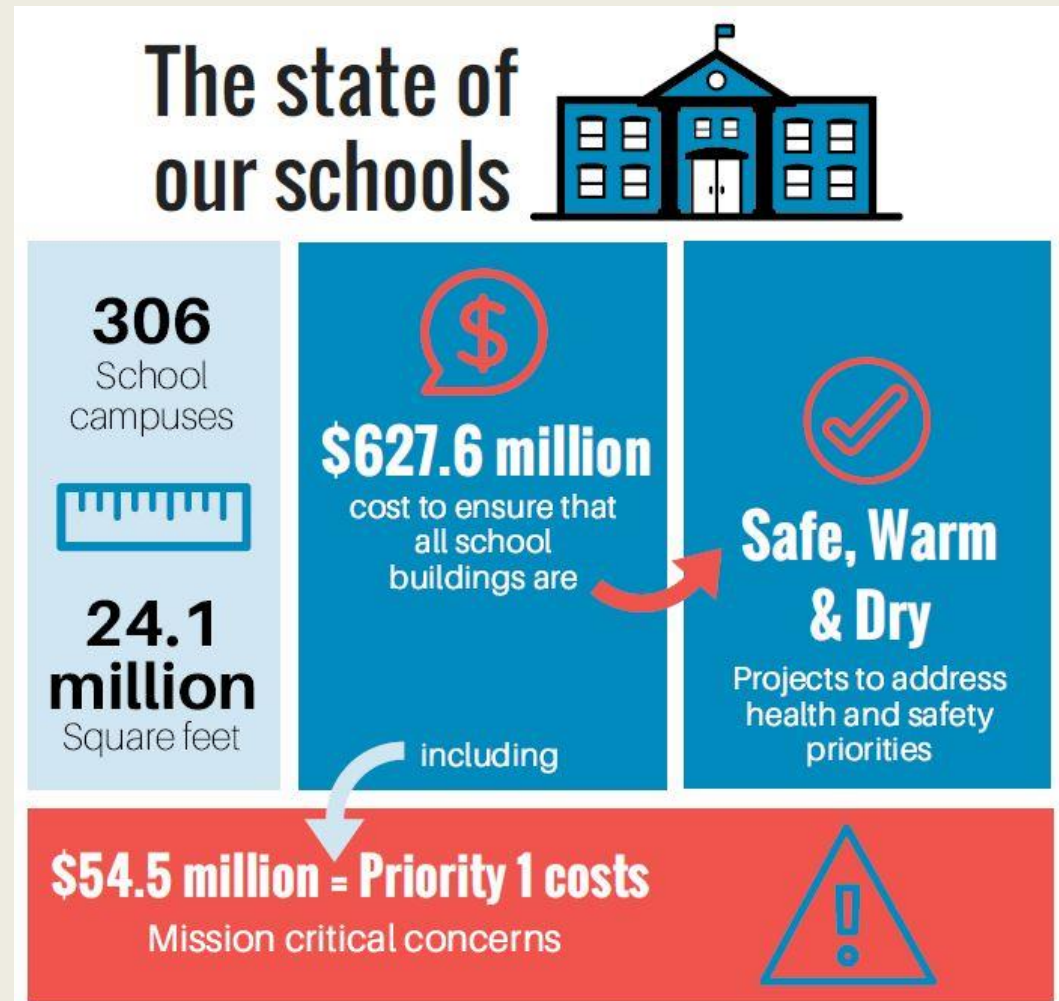
3 = \$800.8M

4 = \$572.3M

5 = \$221.9M

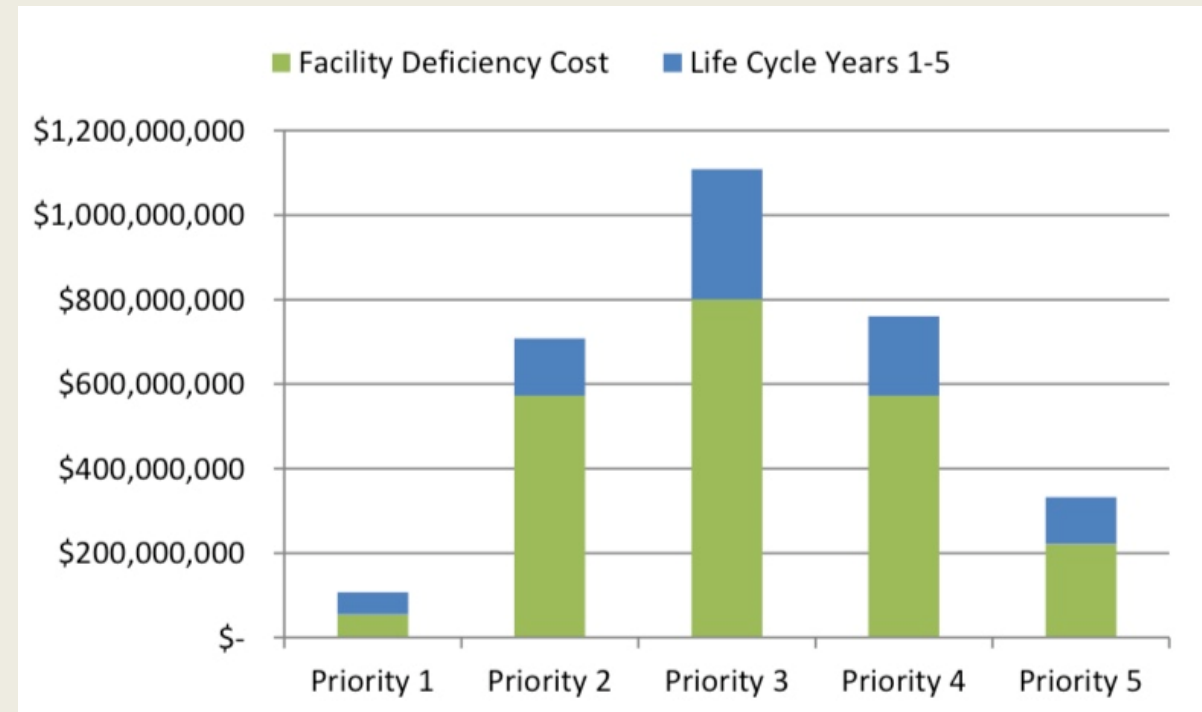
SIGNIFICANT NEEDS

- Jacobs identified more than 50,000 deficiencies at Rhode Island school buildings
- Cost to bring all RI schools to ideal condition is \$2.2 billion, if spent today
- Cost to address immediate health and safety issues is \$627 million



COSTS RISE OVER TIME

- Most potential projects are not immediately shovel-ready
- Over time, buildings will continue to deteriorate and construction costs will rise
- Jacobs estimates that the 5-year life cycle forecast of current facility deficiencies is \$793 million. When you include these life cycle costs, the combined 5-year need totals \$3.0 billion.



NEEDS IDENTIFIED IN EVERY COMMUNITY



Cranston High School West



Hanaford Elementary School,
East Greenwich



Feinstein Middle School, Coventry



Norwood Elementary, Warwick



Deering Middle School, West
Warwick

IMPACT OF SUBSTANDARD SCHOOL BUILDINGS

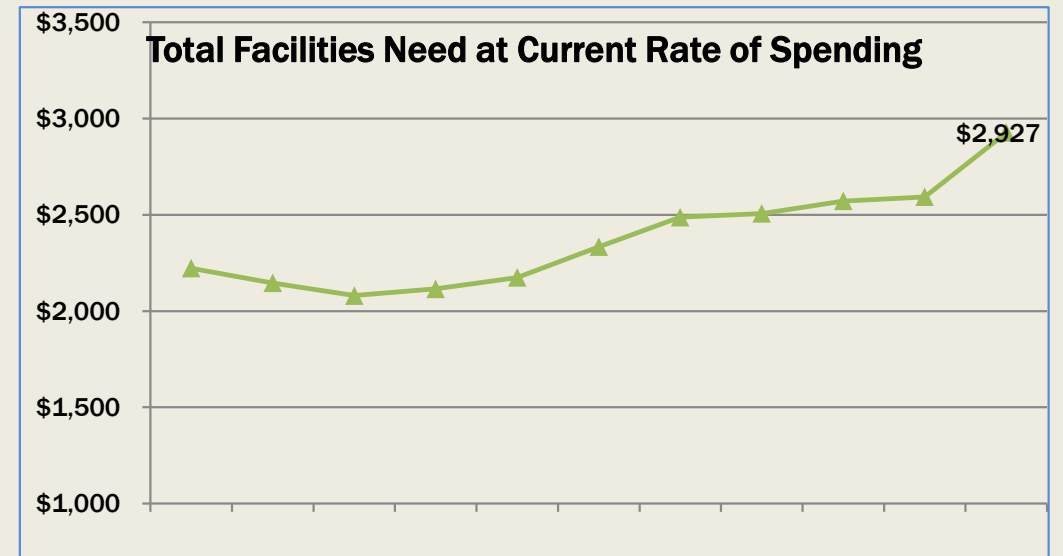
- **School-specific factors including poor facility conditions contribute to chronic absenteeism**
 - The American Lung Association found US students miss more than 10 million school days each year because of asthma exacerbated by poor indoor air quality
- **Facility condition also negatively impact performance**
 - One widely-cited study found that students with the most exposure to natural daylight progressed 20% faster in math and 26% faster in reading than students who were taught in environments with the least amount of natural light
- **At least 20 Rhode Island schools are severely overcrowded (more than 150% functional utilization) impacting over 5,100 students**
- **30 Rhode Island Middle Schools do not have science labs**
- **Jacobs Report estimates that it would be more cost effective to replace 19 schools rather than continually repair**
- **Municipalities spend approximately \$31 million annually on energy at schools, due to poor energy efficiency**

CURRENT PROCESS

- **State Budget Allocation: \$80 million annually**
- **Housing Aid:**
 - After approval, municipalities float bonds for the full cost of major projects
 - After project completion, state reimburses a portion of debt service
 - Reimbursement level based on economic condition of population served by District (minimum state share for a district is 35%, maximum is 96%)
 - State spent \$69 mil on housing aid in FY 2017, all for projects that had already been completed
- **Capital Fund**
 - Intended for fast-track, emergency repairs
 - Annual state spend is whatever is left after housing aid reimbursements, up to \$80 mil
 - FY 2017 state capital fund spend was \$12 mil
 - Same share ratios as Housing Aid apply

DRAWBACKS TO CURRENT PROCESS

- Current level of investment insufficient to keep up with deterioration of buildings
 - At current level of spending, cost to repair all deficiencies grows from \$2.2 billion to \$2.9 billion over 10 years
- A majority of state budget allocation used to cover municipal debt service on projects that are already finished
 - State is often subsidizing the borrowing costs of lower-rated communities
- No prioritization of projects: state housing aid delivered on first-come, first-serve basis
- Weak standards to ensure that buildings are kept in good condition:
 - No minimum statewide standards for existing buildings
 - Limited statewide protocols for maintenance and upkeep of buildings



IDEAS RECOMMENDED BY TASKFORCE

- Shift state share of Housing Aid to Pay-As-You-Go instead of reimbursement
 - Reduces municipal debt burden
 - Reduces long-term cost for state
- Increase state share for high priority projects, with all districts able to benefit
 - Use aggressive, expiring bonuses to the state matching formula to encourage municipalities to submit more applications for approval, and focus on high-need projects
- Use State General Obligation Bonding to fund more projects and shift state share to PAYGO
 - State bonding for K-12 schools has been done before
 - State k-12 bond referenda appeared on the ballot 8 times between 1972 and 1984
 - Massachusetts has floated K-12 statewide bonds 7 out of the past 8 years
- Introduce policies to reduce costs and protect assets
 - Adopt policies to control construction costs, introducing minimum standards for buildings, and/or introducing statewide building maintenance protocols

STATE SHARE BONUSES

Principles

- Incentives on top of base share ratios must be generous, to encourage districts to take on more projects
- Incentives must expire, to encourage fast action and to protect the state from runaway costs
- All districts should be able to benefit from any new incentives

Structure

- Maintain the existing base state share ratios (35% - 96% depending on District demographics; 30% for charters)
- Maintain the existing statutory incentives, including 4 points for ADA accessibility, asbestos remediation and energy efficiency
- District eligible to receive up to 20 bonus points, given that the district's share is not decreased by more than half of its regular level

STATE SHARE BONUSES

Incentives:

- **5 points for Priority 1 and Priority 2 projects**
 - Address repairs to make school Warm, Safe and Dry and remove hazardous materials
 - Projects must commence no later than December 2022
- **5 points for 21st Century Learning**
 - STEAM, early childhood and career tech facilities
 - Projects must commence no later than December 2022
- **5 points for Newer and Fewer**
 - Replacement of a facility that has a Facilities Condition Index of 65% or higher
 - Any new construction or renovation that leads to the functional utilization of any facility increasing from less than 60% to more than 80%
 - Any new construction or renovation that leads to the functional utilization of any facility decreasing from more than 120% to between 85% and 105%



Tiverton High School, Tiverton

COST SAVINGS IDEAS



Toll Gate High School, Warwick



Woonsocket High School

- Require use of an Owners Project Manager (OPM) for all projects greater than \$1.5 million
 - Done in Massachusetts; helps prevent cost overruns
- State should select Commissioning Agents for each project greater than \$1.5 million
- SBA will develop and maintain a “kit of parts”, in which common designs for building features such as gyms, auditoriums and science labs are maintained for Districts to use on an optional basis
- Establish a state procedure for general contractor certification and pre-qualification for projects greater than \$10 million
- State should be reimbursed for a portion of the sale of any newly constructed school sold to a private entity within 30 years of construction

ASSET PROTECTION IDEAS

- **Introduce statewide school maintenance requirements**
 - Required check-list of basic maintenance practices for all school buildings
 - Establish a benchmark level of annual maintenance spending (3% of replacement value is a national best practice) while allowing districts to obtain waivers when appropriate
- **Introduce statewide school building standards**
 - Rhode Island has minimum standards for newly constructs school buildings, but not for existing buildings
 - Phase-in can be gradual, but at a certain point minimum standards should be mandatory for a building to be occupied

STATE BONDING CAPACITY

- 2017 state Debt Affordability Study recommended debt affordability targets for the state, quasi-public agencies, and municipalities
- Debt limits were based on ratings agency methodology, peer review and national best practices
- While the study recommended a slight reduction in state debt levels, that still **leaves capacity to issue approximately \$1.2 billion of new General Obligation bonds over the next 10 years**
 - State pays off roughly \$150 million of old debt annually, and state debt levels relative to income have gradually fallen over time
- \$500 million of state bonding for schools over 10 years would:
 - Facilitate more school projects without a budget impact
 - Facilitate a partial shift to PAYGO funding, reducing the municipal debt burden and saving money on interest expense
 - Leave \$700 million of bonding capacity for other state priorities

WHAT IS POSSIBLE: POTTER BURNS



THANK YOU

- **Next Steps:**

- Task Force to adopt recommendations and present to the Governor in mid-December
- Governor to submit legislative proposal as part of budget in January

Questions?